

Message Text

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PAGE 01 NICOSI 04116 200927Z

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SUBJ: GOC PLANS TO MODIFY SOCIAL INSURANCE PROGRAMS

1. MIKIS SPARSIS, DIRGEN GOC MINISTRY OF LABOR, DESCRIBED TO EMBOFF NOV 19 OUTLINE OF RADICAL CHANGE IN SOCIAL INSURANCE PROGRAM GOC PLANS TO IMPLEMENT EFFECTIVE JANUARY 1, 1975.

2. GOVERNMENT INTENDS TO ABANDON ALL BUT ONE OF EIGHTEEN CATAGORIES OF SHORT-TERM SOCIAL INSURANCE BENEFITS SUCH AS UNEMPLOYMENT, MEDICAL, OLD AGE AND BURIAL. EXCEPTION WILL BE MATERNITY BENEFITS, WHICH WILL REMAIN. REASON FOR CHANGE IS SKY-ROCKETING COST AND INAPPROPRIATENESS OF PRESENT PROGRAM.

3. FROM LEVEL OF CYPOUNDS 21,000 IN OCT 1973, SHORT-TERM BENEFITS PAID BY GOC ROSE TO CYPOUNDS 276,000 IN OCT 1974 AS RESULT OF TURKISH INVASION AND SUBSEQUENT DISLOCATIONS. PRESENT TRI-PARTITE SYSTEM (EMPLOYER, EMPLOYEE AND GOVERNMENT ALL CONTRIBUTING) INCLUDES ONLY PERSONS WHO HAVE PARTICIPATED

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PAGE 02 NICOSI 04116 200927Z

IN SOCIAL SECURITY PROGRAM OVER YEARS. IT FAILS TO COVER

SELF-EMPLOYED AND SIGNIFICANT NUMBER NON-PARTICIPANT CYPRIOTS. NEW SCHEME, IN EFFECT, WILL BE DIRECT INCOME SUPPORT PROGRAM AIMED AT PERSONS WHO HAVE LOST MEANS OF LIVELIHOOD AND WHOSE GROSS INCOME FALLS (FOR WHATEVER REASON) BELOW LEVELS SET BY GOC ON BASIS OF FAMILY STATUS. IT IS ESTIMATED THAT SOCIAL SECURITY COVERAGE WILL BE EXPANDED IN 1975 FROM 25,000 PERSONS UNDER PRESENT SYSTEM TO OVER 50,000 PERSONS UNDER NEW.

4. MINLABOR, WHICH HAS BEEN PRIME MOVER, CONVINCED THAT THIS SCHEME WILL PROVIDE MORE EQUITABLE AND APPROPRIATE COVERAGE GIVEN CHANGED CIRCUMSTANCES OF CYPRUS SOCIETY. 1975 COST OF PROPOSED PROGRAM, WHICH WILL BE SUBMITTED TO COUNCIL OF MINISTERS NOVEMBER 22 AND TO HOUSE OF REPRESENTATIVES SHORTLY THEREAFTER, IS APPROXIMATELY CYPOUNDS 25 MILLION. LONG-TERM SOCIAL SECURITY BENEFITS FUNDED BY TRI-PARTITE SYSTEM, SUCH AS RETIREMENT PENSIONS, WILL CONTINUE AS BEFORE.

5. COMMENT: IF ADOPTED, INCOME SUPPORT FOR HARDCORE OF ECONOMICALLY DISLOCATED POPULATION WOULD REPRESENT FIRST CONCRETE, MEDIUM RANGE PROGRAM BY GOC TO DEAL WITH THE CONSEQUENCES OF THE TURKISH INTERVENTION. IT THUS MAY BE AN ENCOURAGING INDICATION THAT THE GOC IS NOW MOVING BEYOND REFUGEE RELIEF STAGE AND TOWARDS PRACTICAL ECONOMIC MEASURES FOR THE LONG HAUL.
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